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IN THE

# Supreme Court of the United States

October Term, 1979

No. 79-669

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION and CRYSTAL CHEMICAL COMPANY,
*Petitioners,*

*v.*

ROHM AND HAAS COMPANY,
*Respondent.*

**On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit**

## MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF AMICUS CURIAE OF THE NEW YORK PATENT LAW ASSOCIATION IN SUPPORT OF THE RESPONDENT

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## MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE OF THE NEW YORK PATENT LAW ASSOCIATION IN SUPPORT OF THE RESPONDENT

The New York Patent Law Association hereby respectfully moves pursuant to Rule 42 for leave to file the accompanying brief *amicus curiae* herein on behalf of respondent. The consent of the attorney for the respondent has been obtained. The consent of the attorney for the petitioners was sought but was refused. Copies of the letters

concerning the foregoing consent and refusal have been filed with the Clerk.

The New York Patent Law Association is an association of over one thousand attorneys in private and corporate practice in the fields of patent, trademark and copyright law in the New York metropolitan area. Our Association is concerned with the advancement of the arts and sciences through an effective patent system as well as through effective application of the Antitrust Laws. This case presents an important question requiring careful application of both the patent laws and complimentary antitrust principles to effectuate the Constitutional mandate "to promote the progress of science and useful arts," Article I, Section 8. The accompanying brief addresses that issue from the point of view of the Association's public and professional interest in furthering that goal.

It is of particular interest to the Association that this case presents to the Court for the first time issues with respect to the Congressional intent and purpose underlying enactment of Section 271 of the Patent Laws concerning contributory infringement, because the Association was instrumental in drafting the first legislation seeking to define and remedy contributory infringement. That legislation was introduced at the Association's request as H.R. 5988 in the Eightieth Congress and was re-introduced as H.R. 3866 in the Eighty-First Congress. Members of the Association testified in support of it. Subsequently, in 1950, the National Council of Patent Law Associations, composed of all of the principal patent law associations in the United States, together with a number of industrial associations,



formed the Coordinating Committee on Revision and Amendment of the Patent Laws to assist Congress in codifying the patent laws. Members of this Association participated significantly in the work of the Coordinating Committee and were instrumental in seeking enactment of the present law, Title 35 U.S. Code, including Section 271. Hence the Association has an additional interest born of authorship in seeking to assist the Court upon this important issue.

Apart from this public and professional interest, we have no interest in the outcome of this case.

Respectfully submitted,

BARRY D. REIN
Attorney for Amicus Curiae

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## BRIEF AMICUS CURIAE OF THE NEW YORK PATENT LAW ASSOCIATION IN SUPPORT OF THE RESPONDENT

### Interest of Amicus

The interest of amicus is set forth in the foregoing motion for leave to file this brief.

### Question Presented

Whether the owner of a patent for a new use of a known non-staple chemical compound having no other commercial use who sells the compound to users with instructions for applying it to that use, is required to license all competitors to manufacture and sell the identical compound in order to render his patent enforceable.

## Summary of Argument

The plain language of 35 U.S.C. Section 271 defines Rohm and Haas' conduct as not constituting patent misuse. The construction sought by the Government and Dawson would impose a gloss on the statute subjecting the patentee's expressly recited rights to license and sell (Section 271(d)(1) and (2)) to an implied requirement of compulsory licensing.

It would also emasculate completely Section 271(d)(1), for a patentee's mere sales of a component, less than all, of his patented invention have *never* constituted misuse; the sole effective purpose of that provision is to except from the misuse doctrine sales of a component where the implied license attendant the sale is the only license granted.

The legislative history of Section 271 establishes the intent of the drafters and of Congress to place beyond the scope of the misuse doctrine a patentee's sales of material, non-staple components of a patented process where the implied license attendant the sales are the only licenses granted. The clear line drawn by Congress was between that conduct, which is permissible within the scope of Section 271(c), and attempts to control staple articles of commerce beyond the scope of Section 271(c), which would constitute misuse. Congress in 1951 considered the enactment of both restrictions upon licensing and compulsory licensing that would bear on Rohm and Haas' conduct. It rejected them. That rejection and the legislative history of Section 271 in its entirety overwhelmingly provides the "clear signal" of Congress required by this



Court to change the pre-existing law as it had been established in *Mercoid, Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972).

The public policy of the Antitrust Laws against tying does not require compulsory licensing here because the patented process and the product propanil are so inextricably interrelated in logic and in the marketplace as to constitute but a single product. Tying, on the other hand, requires that there be separate tying and tied products. The rights granted under the patent laws have a direct bearing on the issue of product definition.

Section 271 constitutes a legislative determination, as applied to this case, that propanil for use in the patented method is within the patent grant. The result is the same as if the patent in issue contained a separate claim to propanil *per se* for use in the claimed method, assertible against sellers of the compound for use in that method. Propanil is not "unpatented" in that sense; it is within the legitimate scope of the patent grant. Hence no extension of the grant is involved here that would warrant the result by Dawson and the Government.

The construction of Section 271 sought here by the Govrenment and Dawson would not benefit rice farmers or the public generally. It may, on the contrary, tend to deprive them of the benefits of innovation and increase rather than decrease the cost of agricultural products. It would additionally burden the courts with a wholly new class of litigation to determine a reasonably royalty in each specific instance.

# ARGUMENT

## I.

### The Court of Appeals correctly held that Section 271 expressly sanctions Rohm and Haas' conduct.

Section 271 is the section of the patent law defining a patent owner's remedy for infringement. Entitled "Infringement of Patent," it contains four paragraphs (a) through (d). Paragraph (a), not in issue here, simply codified preexisting law as to so-called "direct" infringement. Paragraph (b) further includes as an infringer anyone who "actively induces infringement of a patent."

Paragraph (c) recites that "whoever sells

a component

> of a patented machine, manufacture, combination or composition

or

a material or apparatus

> for use in practicing a patented process,

constituting a material part of the invention,

> knowing the same to be especially made or especially adapted for use in an infringement of such patent, and

not a staple article or commodity of commerce suitable for

> substantial noninfringing use, shall be liable as a contributory infringer."

Paragraph (d), which complements paragraph (c),* provides that "[n]o patent owner otherwise entitled to relief

* The Court of Appeals correctly noted that paragraph (d) is "ancillary to" paragraphs (b) and (c), 599 F.2d 685, 703, n.24, quoting from the official Revisory Notes to Section 271.



for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done *one or more* of the following:

(1) derived revenue from acts which if performed by another without his consent would constitute *contributory infringement* of the patent;

(2) licensed or authorized another to perform acts which if performed without his consent would constitute *contributory infringement* of the patent; or

(3) sought to enforce his patent rights against infringement or *contributory infringement.**

It is undisputed here that propanil, the herbicidal use of which is the subject of Rohm and Haas' patent, is a "material," "for use in practicing a patented process," "constituting a material part of the invention," and "not a staple article or commodity of commerce suitable for substantial non-infringing use," 35 U.S.C. §271(c), and thus directly within the carefully circumscribed scope of "contributory infringement" as that term is incorporated in each of (1), (2) and (3) of Section 271(d). Rohm and Haas' conduct therefore falls squarely within the express authority of Section 271(d): it derives revenue from the sale of propanil, an act which, if performed by another, would constitute contributory infringement as authorized by (1); and it has sought to enforce its patent rights against contributory infringement as authorized by (3).**

* All emphasis herein is added unless expressly noted.

** A purchaser may resell propanil purchased from Rohm and Haas because the sale, conveying by implication the right to use the thing purchased in the patented process, exhausts Rohm and Haas'

*(footnote continued on next page)*

The statutory language on its face authorizes Rohm and Haas to do any one, or two, or all of the foregoing acts without being "denied relief or deemed guilty of misuse or illegal extension of the patent. . . ." Yet it is the crux of Dawson's and the United States' position that merely by doing those acts, Rohm and Haas *is* guilty of misuse.

The United States argues thus that Rohm and Haas, although it has not committed any acts other than those enumerated, has done more—it has "license[ed] the use of its process on condition that the licensees buy unpatented propanil from Rohm and Haas," and that Section 271 is "silent" as to the legality of that behavior (GB-13).*

Perceiving on one hand this "silence," Dawson and the United States find on the other hand a statutory requirement that if Rohm and Haas chooses to sell propanil, it must license *all* of its competitors to do so at a reasonable royalty. But then it must also be true that if Rohm and Haas did not sell propanil but instead licensed another to do so, it would equally be subject to compulsory licensing. In each case purchase of the seller's propanil would be "tied," in the Government's and Dawson's view, to the right to practice the patented method. In each case the public's choice among propanil suppliers is equally limited and the foreclosure of manufacturing competitors

rights in it. It may also be said, therefore, that Rohm and Haas has authorized others (vendees) to perform acts which, without its consent, would constitute contributory infringement, as sanctioned in Section 271(d) (2).

* "GB" refers to the brief of the United States as amicus curiae and "DB" refers to the brief of Dawson et al.



equally complete. Equally, then, the statute would compel extending licenses on reasonable terms to all comers upon any attempt to license one.*

This reading of the statute is inconsistent with its plain meaning, for it would engraft upon it (1) a limitation in Section 271(d)(2) precluding grant of an exclusive license, although nothing in the language suggests such a limitation, and (2) a proviso that the rights to derive revenue and to license in (d)(1) and (d)(2) are conditioned upon granting compulsory licenses to all at a reasonable royalty. Absolutely nothing in the 1952 patent act or its legislative history suggests an intention by Congress to require compulsory licensing of *any* patents.** Surely if Congress had intended two of the three rights expressly granted the patentee by Section 271(d) to result in compulsory licensing, it would have expressly so provided.

Even more compelling is the fact that to read Section 271(d)(1) as the Government and Dawson read it would result in its complete emasculation. The right of a patentee or anyone else for that matter to sell goods is derived not from the patent law but from the common law. This is true whether or not the goods are part of a patented combination or a component for use in a patented process. *No case* has ever held merely that a patentee may not sell such a part or component. All that *some* have held is that such sales constitute misuse if the implied licenses attendant the sales are the only licenses granted.

* Dawson implicitly agrees with this conclusion for its list of ways in which Rohm and Haas could exploit the patent does not include licensing any propanil manufacturers unless it licenses all of them (DB-30).

** Importantly, Congress in enacting the 1952 Patent Act expressly rejected a proposal to make compulsory licensing available as a remedy for improper use of a patent, see pages 24 *et seq., infra.*

The only conceivable purpose and meaning of the provision is therefore to shelter that type of sale, within the scope of Section 271(c), from application of the misuse doctrine.* If the provision is not read as placing such sales, including Rohm and Haas' sale of propanil, beyond the ambit of the misuse doctrine, then it will be of no force whatsoever. A statutory provision should not be construed so as to render it a nullity. This Court has noted that "[i]t is our duty 'to give effect, if possible, to every clause and word of a statute rather than to emasculate an entire section, as the Government's interpretation requires,'" *United States* v. *Menasche,* 348 U.S. 528, 538-539 (1955) (citation omitted); see also *F.T.C.* v. *Manager, Retail Credit Co., Miami Br. Off.,* 515 F.2d 988, 994-995 (D.C. Cir. 1975); *Uptagrafft* v. *United States,* 315 F.2d 200, 204 (4th Cir. 1963).

The Government argues, in an effort to reconcile its construction with the necessity to give meaning to each statutory provision, that "in accordance with subsection (d)(1) the patentee is still free to obtain revenue from his sales of the unpatented component. He is limited only by the condition that he cannot arrogate to himself all these sales by tying his grant of a license to the purchase from him of the unpatented component" (GB-15). The fatal defect in this argument is that it is not subsection (d)(1) but the common law that permits a patentee to obtain revenue from selling so-called "unpatented" components. Subsection (d)(1) is superfluous unless read to permit such sales without requiring the patentee to grant licenses apart from the sales.

* This is fully consistent with the goals of antitrust policy reflected in the misuse doctrine for reasons set forth at pages 26 *et seq., infra.*



## II.

**The Court of Appeals correctly held that the legislative history of Section 271 confirms the intent of Congress to sanction Rohm and Haas' conduct.**

As set forth in amicus' motion to file this brief, *supra,* this Association drafted the legislation, first introduced as H.R. 5988 in the Eightieth Congress, in 1948, which with minor changes became Section 271. That legislation was introduced again in the Eighty-First Congress as H.R. 3866 and in the Eighty-Second Congress as part of H.R. 3760, the patent law codification bill. Testimony with respect to H.R. 5988 and successor bills was presented at length by members of this Association.* Together with the testimony of industry representatives and the Government, it formed the basis for Congress' understanding of the proposed legislation.

The essence of the testimony was that as a result of abuses of the judicially fashioned right of a patentee to control contributory infringement, a line of decisions of this

* Contributory Infringement in Patents—Definition of Invention: Hearings on H.R. 5988, H.R. 4061 and H.R. 5248, before Subcommittee on Patents, Trademarks and Copyrights of the House Committee on the Judiciary, 80th Cong., 2d Sess. (1948), p.16 (hereinafter "1948 Hearings"). H.R. 5988 was the first bill drafted by this Association to revive a remedy for contributory infringement. The "last section" referred to, Section 5, was essentially identical to the present Section 271(d); the first four sections with minor changes became paragraphs (a)-(c) of Section 271. The same bill was introduced in 1949 as H.R. 3866, see Contributory Infringement: Hearings on H.R. 3866 before Subcommittee No. 4 of the House Committee on the Judiciary, 81st Cong., 1st Sess. (1949) (hereinafter "1949 Hearings"), and again in 1951 as part of H.R. 3760 to recodify the entire patent law, see Patent Law Codification and Revision: Hearings on H.R. 3760 before Subcommittee No. 3 of the House Committee on the Judiciary, 82d Cong., 1st Sess. (1951) (hereinafter "1951 Hearings"),

Court beginning in *Carbice* and culminating in *Mercoid* had unduly eroded that doctrine by an overbroad application of the countervailing doctrine of patent misuse, and therefore that Congress should draw a clear line between actionable contributory infringement and proper application of the misuse doctrine.* The line sought to be drawn by the proposed bill was one permitting a patentee to control a carefully circumscribed class of non-staples but preserving the misuse doctrine with respect to staples. That line was explained and defined throughout the three years of testimony with particular reference to the *Mercoid* cases. An appreciation of the holdings of those cases *as they were understood by the members of the congressional subcommittees* is therefore essential to an understanding of the purpose of Section 271(d).

Both *Mercoid* cases, decided on the same day, arose out of efforts by Mid-Continent and its exclusive licensee Minneapolis-Honeywell to enforce patents covering a home heating system against Mercoid. In each instance, the patent sought to be enforced covered a combination of elements, and in each instance Honeywell, Mid-Continent's exclusive licensee, did not sell the entire combination covered by the patent but sold components of it having no use other than in the infringing combination. Honeywell announced in advertising and otherwise that purchasers of the components would automatically receive licenses to make and use the patented combination. Mercoid, the accused

* *Carbice Corp* v. *American Patents Development Corp.*, 283 U.S. 27 (1931). *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944) (hereinafter "Mercoid I"); *Mercoid Corp.* v. *Minneapolis-Honeywell Reg. Co.*, 320 U.S. 680 (1944) (hereinafter "Mercoid II").



contributory infringer, likewise merely manufactured components, less than all of the claimed combination, having no use other than in infringing the patent.

The result in both cases was clear; the patentee Mid-Continent and its licensee Honeywell were precluded from enforcing the patent, and Mercoid's claims were granted for relief under the antitrust laws. The several opinions, concurring opinions and dissents were not as clear and, as predicted by Mr. Justice Roberts, 320 U.S. at 674, engendered much confusion among members of the bar and inconsistency in the decisions of lower courts. Thus, on the one hand, Mr. Justice Douglas, speaking for the majority in *Mercoid I,* stated:

> "... we assume for the purposes of this case that Mercoid was a contributory infringer and that respondents could have enjoined the infringement had they not misused the patent for the purpose of monopolizing unpatented material. Inasmuch as their misuse of the patent would have precluded them from enjoining a direct infringement they cannot stand in any better position with respect to a contributory infringer. Where there is a collision between the principle of the Carbice case and the conventional rules governing either direct or contributory infringement, the former prevails." 320 U.S. at 668-669 (Citation omitted)

This suggests that the Court would have enforced the patent against Mercoid but for the fact that Honeywell, the exclusive licensee, was itself selling less than all of the patented combination and attempting thereby to license only those

who purchased the unpatented component from it or its manufacturing sublicensees.*

As an additional and more expansive basis for the Court's holding, however, making reference to the Court's consistent holdings "that the owner of a patent may not employ it to secure a limited monopoly of an unpatented material used in applying the invention," 320 U.S. at 664, Mr. Justice Douglas stated:

> ". . . the competition which is sought to be controlled is not competition in the sale of the patented assembly but merely competition in the sale of the unpatented thermostatic controls." 320 U.S. at 667.

This language suggested that any attempt to enforce or license a patent beyond the scope of its claim was impermissible, *even though such enforcement is the essence of contributory infringement.*

It is the Government's and Dawson's view, as we understand it, that Section 271 was intended merely to reverse the latter dictum, and it is true that testimony was presented to Congress that Section 271(d) was necessary to dispel the confusion resulting from *Mercoid I* and to reinstate to any degree the remedy against contributory infringement.

* This is mirrored in the dissenting opinion of Mr. Justice Frankfurter, 320 U.S. at 676:

> "The court holds in effect that the owner of a patent who exacts, as the condition of a license, that unpatented materials used in connection with the invention shall be purchased only from the licensor cannot obtain relief from equity against one who supplies such unpatented materials even though the unpatented appliance was not for common use but was designedly adapted for the practice of the invention, but when so used did not involve an infringement of the patent. The decision is thus merely an appropriate application of what has come to be known as the doctrine in the *Carbice* case, 283 U.S. 27. In this view I concur."



It is equally clear, however, that the members of the successive congressional subcommittees, all lawyers, thoroughly understood the intention of the drafters of Section 271(d) to reverse the specific holding in *Mercoid* as well, namely that a suit for contributory infringement is barred if the patent owner is selling less than all of the claimed invention and refuses to grant licenses independently of his sales. It is that inescapable understanding and intent that sanctions Rohm and Haas' conduct in this case.

### A. Congress intended Section 271 to reverse not only the dictum in *Mercoid* but its direct holding as well.

Congress' understanding of and intent to undo the *holding* in *Mercoid* was reflected in the testimony of Theodore S. Kenyon, a member of this Association:

> "As a result of [*Mercoid*] and similar decisions, great doubt has been cast upon the enforceability of combination and so-called use patents *where the patent owner was engaged in manufacturing the essentials of the combination or the special ingredient used in the patented process,* but where the claims were not literally infringed until these parts or supplies were combined with others or used in a particular manner by the ultimate purchaser."*

With almost clairvoyant application to the precise case before this Court, Mr. Kenyon continued:

> ". . . in the chemical industry, a great many very valuable 'use patents' have been granted for inven-

* 1948 Hearings, p. 17.

tions for the first time making useful some hitherto known, but commercially useless, ingredient. These inventions have given rise to new industries or the expansion of old industries in the manufacture and sale of these special ingredients for the new and useful purpose. Obviously the ingredients themselves could not be patented per se because they had already been known or described in textbooks. The real invention lay in their utilization to achieve new and unexpected results. The 'misuse of patents' doctrine has presented to the owners of such patents the alternatives of *either giving up the manufacture of these special ingredients or in effect dedicating their patents to the public. It is plain that neither of these alternatives is in the public interest.*

The bill which you have presented draws a line between the sale of staple articles having actual commercial noninfringing use, on the one hand, and those special components or ingredients which are particularly made or adapted for use in the infringing combination and are not suitable for actual commercial noninfringing use, on the other hand; and it provides that the sale of parts or ingredients of the latter type without the consent of the patent owner constitutes a contributory infringement of the patent, and *furthermore that the sale of such parts or ingredients by the patent owner himself shall not constitute a misuse of his patent.*''*

Although the Department of Justice strongly disapproved of Section 5 of the proposed bill (corresponding to the present Section 271(d)) in that it would "negate much of the existing body of case law which has operated to

* 1948 Hearings, p. 18.



prevent illegal extension of the patent grant . . . ,"* the Navy Department voiced its approval precisely in order to foster the very conduct that the Justice Department opposed, i.e., the bill

> ". . . would lend an incentive to the patent owner to go into production when the field might be saturated with only a few hundred machines, *if, as a result of producing the machines, probably at little or no profit, he could be assured of a market for the parts or material, peculiar to the patented structure but upon which no separate patent may be obtained.*
>
> Inasmuch as the bill makes clear that staple articles and commodities of commerce, not especially made or adapted to use in a patented invention, and suitable for actual commercial use are outside its scope, it would appear that both the public and the Government are amply safeguarded, if the doctrine is reestablished."**

The Committee's specific awareness of the drafters' intent to overturn the *Mercoid* holding with respect to a patentee's so-called "tie-in" sales was equally clear in 1949. In a lengthy discussion of *Wallace* v. *Holmes,* 29 Fed. Cas. 74, No. 17,100 (CC Conn. 1871), holding that there was contributory infringement of a patent on the combined base, burner and chimney of a kerosene lamp by defendant's sales of all parts except the chimney, Congressman Bernhard stated:

> "Mr. Bernhard. I did not mean the defendant; I meant the patentee. In other words, suppose that the patentee was not interested in selling the complete article for which he had a combination patent, but was interested only in the sale of one of the component

* 1948 Hearings, p. 69.

** 1948 Hearings, p. 33.

items, the sale of the novel burner, and suppose he sold the novel burner to the public *with the condition that those who bought his burner would be permitted to use his combination patent by coupling it together with these other articles which they could buy in any store.*

Mr. Rich. Well, Mr. Bernhard, you are importing into this situation now an angle which was developed much later on, and which has nothing whatever to do with the problem of contributory infringement as such. What you are thinking of is the misuse situation, and I will come to that later."*

Mr. Rich then explained Section 5 of the proposed legislation:

"Subsection (a) [271(d)(1)] above refers to cases like the Lamp case *or the Mercoid case where the patentee has been in the business of selling less than the entire invention claimed and has been making a profit out of it; that is, derived revenue.*

Subsection (b) [271(d)(2)] refers to this type of situation: Suppose the patentee of the lamp had granted a license to somebody to make the lamps without chimneys or, as actually was the case, in the Mercoid situation, the patentee licensed people to make these switching units which had no other use except in the case of this invention, and collected royalties.

In connection with subsection (c) [271(d)(3)], there have been cases recently following the Mercoid case, in which the courts have held that merely bringing a suit is a misuse and that you are out of court on a a motion to dismiss.

Mr. Bernhard. You also lose your patent.

Mr. Rich. No; you do not lose your patent because it is a case of the application of the unclean-hands doctrine. The courts have said that you can wash your

* 1949 Hearings, p. 6.



hands when you have remedied the situation and have stopped misusing your patent and that you may then come back to the courts which may then possibly grant you a recovery.

Mr. Boggs. How could you do that?

Mr. Rich. *By changing your method of doing business, perhaps, if practical. In the Lamp case, for example, the lamps were sold with chimneys on them.*"*

Opposition to the bill was again voiced in 1949 by Mr. John C. Stedman of the Antitrust Division, Department of Justice, whose "most serious objections" again went to proposed Section 5. Mr. Stedman testified correctly that the effect of that section:

". . . is to permit a patentee to sell unpatented parts for a device or composition covered by his patent or sell unpatented materials or apparatus for use with a process patented by him, *and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him.*"**

Mr. Stedman's testimony together with that of the bill's proponents thus clearly framed to the Subcommittee the holding in *Mercoid* that the proponents sought to overturn; it was not merely the dictum to the effect that there was no residuum left of the contributory infringement doctrine, but rather its holding prohibiting sales of a material, non-staple component where no licenses to use were granted apart from the implied license attendant the sales.

Lest there be any doubt that the congressmen understood this distinction and the intent of the drafters, it is dispelled by the following colloquy:

* 1949 Hearings, p. 14.

** 1949 Hearings, p. 52.

"Mr. Willis. The Supreme Court said in the Mercoid-Mid-Continent case:

> 'Minneapolis-Honeywell in advertising its stoker switches stated that the "right to use" the Cross system patent was "only granted to the user" when the stoker switches of Minneapolis-Honeywell were purchased from it and used in the system. There was ample evidence to sustain the findings of the district court that respondents endeavored to use the license agreement so as to prevent the sale or use of combustion stoker switches in these heating systems unless they were the switches made by Minneapolis-Honeywell and purchased from it or its sublicensees.'

Do you not think that probably that influenced the Supreme Court more than the fact that they assumed that the switch had no other purpose than for infringing uses? Suppose that element had not existed and suppose they had not participated in those acts?

Mr. Rich. What element?

Mr. Willis. *The fact that the right to use was predicated solely upon the purchase of the element from them.*

Mr. Rich. *That was the thing essentially which they regarded as a misuse of the patent right. But, let me ask this rhetorical question: If you are in the business of supplying electric equipment for furnaces and you are not in the furnace business, how are you going to enforce a patent of this type which is on the heating system? What can you do with it?* What value does it have to you unless you can go to the source of the thing which has no other use which instigates all of the infringements? It is the type of situation which occurs over and over again where contributory infringement is the only practical way to get any value from your patent. *I can see nothing wrong in that method of doing business.*



Mr. Willis. *Is that one of the permissive things granted by section 5?*

Mr. Rich. *Yes.*"*

Again, when Congressman Willis asked whether or not proposed Section 5 made adequately clear the line between what was misuse and what was permissible conduct, Mr. Rich replied:

> "Mr. Rich. I think that section 5 makes it perfectly clear what is left of misuse in this way: it says that certain things under the headings (a), (b) and (c) shall not be deemed to be misuse or illegal extension of the patent monopoly.
>
> Take the first one, (a), that the patent owner has derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent. To determine what that means you will have to look at the rest of the bill and see what we say shall be considered to be contributory infringement now and if he has derived revenue, for example, by selling these elements *with an implied license, obtaining a little extra profit because of his protection granted under his patent, then that shall not be misuse.*"**

That was the conduct proscribed by the holding in *Mercoid,* and that is the conduct in which Rohm and Haas has engaged. It is "perfectly clear," in Mr. Rich's words to Congressman Willis, that Section 271(d)(1) was intended to permit that conduct.

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* 1949 Hearings, p. 69.

** 1949 Hearings, pp. 70 and 71.

**B. Congress intended Section 271 to draw a clear line between actionable contributory infringement and application of the misuse doctrine.**

The line legislated by Section 271(c) and (d) between actionable contributory infringement and misuse cut clearly between (1) deriving revenue from, licensing or suing for contributory infringement with respect to non-staples as defined in 271(c), and (2) deriving revenue from, licensing and suing for contributory infringement with respect to staples outside the scope of 271(c).* It was plainly drawn at the outset of the 1948 hearings by Giles Rich:

> "Now, following the Carbice case, several other cases came to the Supreme Court in which they also applied the doctrine, taking these cases up on certiorari, because they wished to apply it, until finally in 1944 we come to the Mercoid cases.
>
> * * *
>
> Now, in the Mercoid cases, the court assumed that the defendant was a contributory infringer. They specifically so stated. But then they said that where there is a collision between this doctrine of contributory infringement and the misuse doctrine, the latter must prevail.
>
> * * *
>
> So our view, and we set to work to draft this bill, was that contributory infringement as a useful doctrine is dead and with it the enforcibility of many perfectly valid and very useful patents. *The bill was designed to correct this situation without giving sanction to practices such as those in the Carbice case.*"**

* We do not mean to suggest that conduct in the first category would be sheltered if the patentee was engaged in price fixing or comparable conduct violating the antitrust laws and not within the purview of Section 271.

** 1948 Hearings, pp. 10 and 11.



The issue was posed throughout the testimony as it had been framed in *Mercoid,* namely that "[w]here there is a collision between the principles of the *Carbice* case and the conventional rules governing either direct or contributory infringement, the former prevails," 320 U.S. at p. 669. This recognition of a collision between the two competing doctrines is irreconcilable with the Government's view because that view refuses to recognize the line that the "collision" led Congress to draw was a line defined by the scope of contributory infringement in 271(c), *not* by an implied limitation on the patentee's conduct sanctioned by 271(d)(1).

Congressional understanding of this line is reflected in the following colloquy between Congressman Willis and Mr. Stedman of the Department of Justice:

> "Mr. Willis. The trouble in my mind is that the Supreme Court held in the Mercoid cases that in the event of a clash between the two doctrines the contributory infringement doctrine must yield to the misuse doctrine.
>
> * * *
>
> The final point which I would like to lead up to is this: Do you believe that the passage of this act would result in Congress choosing between the two doctrines and going overboard in favor of the contributory infringement doctrine too narrowly, when you and I feel that we have use for both doctrines?
>
> Mr. Stedman. Mr. Chairman, if we did not feel that there was a very real danger of that, we would not be here. That is our chief concern.*

* 1949 Hearings, p. 57.

The same distinction was again emphasized by Mr. Rich, responding to Mr. Stedman:

> "Now as to section 5. For the most part I agree with everything Mr. Stedman has said in his interpretation of that section, but it seems to me that he ignores the fact that that section is limited to contributory infringement as defined in the preceding parts of the bill.
>
> * * *
>
> As I tried to make clear the last time, it is absolutely necessary, to get anywhere in this direction we are trying to go, to make some exception to the misuse doctrine because it is the conflict between the doctrine of contributory infringement and the doctrine of misuse that raises the problem. The court in Mercoid theoretically did not touch contributory infringement, they merely said where it conflicts with misuse, the misuse must control. How are you going to put any contributory infringement, which I said no longer exists, back into the picture?
>
> I previously stated, and I wish to reiterate it, that section 5 is the most important part of the bill from the standpoint of accomplishing our purpose. The exception which we wish to make to the misuse doctrine would reverse the result in the Mercoid case; it would not reverse the result in the Carbice case.
>
> Mr. Willis. Say that again, because that is the question that I am intrigued with.
>
> Mr. Rich. The exception which we would make to the misuse doctrine would reverse the result in the Mercoid case as we read it, as logically abolishing contributory infringement.
>
> Mr. Willis. All right, what would the bill do to the misuse doctrine? Would it preserve it and to what extent?
>
> Mr. Rich. It would preserve it in such cases as the Carbice case or the Barber Asphalt case, where the things dealt with are staple commodities of commerce and not especially for use in infringement of patents."*



Additional light is shed on the line sought to be drawn by Congress by a specific example of conduct that would not be permissible under the proposed legislation. In an exchange between Mr. Rich and Representative Rogers concerning the scope of contributory infringement and the continued existence of the misuse doctrine beyond that scope, Mr. Rich explained that if the patentee

> ". . . tries to license somebody, for instance, to manufacture a *staple* article of commerce, to be sold in a patented invention and collect royalties, let us say, for the manufacturing of salt tablets to be used in a patented vending machine or dry ice to be used in a patented shipping container, that will be misuse because it doesn't come within the terms of [Section 271(c)]."**

These testimonial excerpts coupled with the carefully reasoned analysis of the Court of Appeals, relying on other excerpts from the congressional testimony, 599 F.2d at 699-703, compel the conclusion that the line drawn by Congress between permissible and impermissible conduct, previously held by the Court to constitute illegal tying irrespective of whether or not the articles sought to be controlled were staple or non-staple goods, was one limiting application of the misuse doctrine to circumstances beyond the scope of paragraph (c) and sheltering the patentee from the misuse doctrine with respect to sales of goods within the scope of that paragraph. That line runs directly athwart the boundary sought to be established here by Dawson and the Department of Justice.

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* 1949 Hearings, pp. 67 and 68.

** 1951 Hearings, p. 175.

### C. Congress expressly rejected in the 1952 Patent Act the compulsory licensing sought here by Dawson.

Legislative activity to revise and codify the patent laws was initiated in 1950 by compilation of a preliminary draft bill entitled "Proposed Revision and Amendment of the Patent Laws." This draft included the then existing code provisions together with additional proposals derived from a study of all relevant bills introduced in Congress since 1925.* Section 66 of the proposed revision, entitled "License Conditions in Contract," provided in part:

> "(b) *Any condition of any contract for license to* make, *use* or sell *a patented invention,* or for the sale or lease of a patented article, or relating to any such license, sale or lease, *shall be void to the extent that it* . . . (2) *prohibits the licensee,* purchaser or lessor *from using any article not supplied by . . . the licensor,* vendor or restricts the right of the licensee, purchaser or lessee to use any such article or process.
>
> * * *
>
> (d) A condition of a contract shall not be void by reason of paragraph (b)(1) and (2) *if* at the time of making the contract *the licensor,* vendor or lessor *was willing to grant the license* or sell or lease the article on reasonable terms *without any such condition* and the licensee, purchaser or lessee is entitled under the contract upon reasonable notice to relieve himself of his liability to observe the condition and substitute therefor a reasonable specified alternative condition."

Section 66(b) appears to proscribe Rohm and Haas' conduct unless Rohm and Haas were to sell propanil, as provided in subsection (d), without the condition that the

* 1951 Hearings, p. 21.



purchaser not buy propanil from any other source. That is the outcome sought here by Dawson.

An additional section of the Proposed Revision, entitled "Compulsory Licenses," provided in part that:

> "Any person may apply to the Commissioner of Patents for the grant of a license under a particular patent at any time after the expiration of three years from the grant of the patent, under any of the following circumstances:
>
> * * *
>
> (c) If by reason of conditions attached by the patentee to licenses under the patent, or to the purchase, lease or use of the patented article or process, the manufacture, use or sale of materials not protected by the patent is unreasonably restrained or if the patent has been used to unreasonably restrain trade beyond the actual rights conferred by the patent."

This section may well have been construed to require the very compulsory licensing that Dawson would have this Court enact judicially. The infringement provision of the Proposed Revision, section 72, was consistent with the foregoing provisions for it contained nothing along the lines of the present Subsection 271(c) and (d).*

The fact is, however, that these provisions and the policy inhering in them were rejected by Congress in favor of the policy reflected in Section 271. The preliminary draft was widely distributed with a request for criticisms and suggestions. Based upon the comments received, the committee chose to reject these proposed provisions in

* A copy of the foregoing provisions is annexed hereto as Appendix A.

favor of the present statutory structure, which was incorporated in H.R. 9133 and then, after distribution of and receipt of comments with respect to that bill, in H.R. 3760, which was enacted as the present title 35 U.S.C. (1951 Hearings, p. 21).

This conscious Congressional rejection of compulsory licensing, even as a remedy for what the statute would have defined as abuses of the patent grant, is irreconcilable with any Congressional intent to sanction the compulsory licensing requirement sought here by Dawson. The foregoing excerpts and the entirety of the legislative history overwhelmingly provides the "clear signal" of Congress required by this Court to change the pre-existing law as it had been established in *Mercoid.**

## III.

### The decision reached by the Court of Appeals is fully consistent with public policy.

#### A. The result sought by amicus is consistent with antitrust policy.

The result sought by amicus in this case is fully consistent with the public policy of the United States as expressed in the Antitrust Laws. In this case it is the policy of the Antitrust Laws to prohibit tying that Dawson and

* *Deepsouth Packing Co., Inc.* v. *Laitram Corp.*, 406 U.S. 518 (1972). In *Deepsouth*, a majority of the Court failed to find any clear signal of congressional intent to change the pre-existing rule that the entire combination claimed as the invention must be assembled in this country before there can be an infringement. Whatever support the legislative history may have provided for the change in the law sought to be established in *Deepsouth*, it cannot compare with the overwhelming support for amicus' position here.



the Government invoke to limit the application of Section 271. But there can be no tying as a matter of definition unless there are in fact separate tying and tied products. *Times-Picayune Publishing Company* v. *United States*, 345 U.S. 594, 622-23 (1953). It has been held in this regard that there is not sufficient separateness of products to warrant application of the tying doctrine as between the morning and afternoon editions of a newspaper (*Times-Picayune*); weekday and Saturday editions of a newspaper (*Paul et al.* v. *Pulitzer Publishing Co.*, 1974-1 Trade Cases [¶75,116], (E.D.Mo. 1974); the "Shell" trademark and gasoline sold under it (*Redd* v. *Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975), *cert. den.* 425 U.S. 912 (1976); mortgage loans and attendant legal services (*Forrest* v. *Capital Buildings & Loan Association*, 385 F.Supp. 831 (M.D. La. 1973), *aff'd*, 504 F.2d 891 (5th Cir. 1974), *cert. den.* 421 U.S. 978 (1975)); the several elements of a package provided to stores under a franchise arrangement (*In re: 7-Eleven Antitrust Litigation*, 1974-2 Trade Cases [¶75,429] (N.D. Cal. 1974)); and a franchise and related advertising requirements (*Kugler* v. *Aamco Automatic Transmissions Inc.*, 337 F.Supp. 872, 876 (D. Minn. 1971), *aff'd*, 460 F.2d 1214 (8th Cir. 1972).*

While the standards set down for determining whether there are separate products or a single product for purposes of tying analysis are not entirely clear,** we submit

* But see *Fortner Enterprises Inc.* v. *U.S. Steel Corp. et al.*, 394 U.S. 495 (1969), holding that the sale of prefabricated buildings and credit for the purchase of those buildings extended by a separate corporation were separate products for purposes of tying analysis.

** See Mr. Justice Black's comment in *Fortner*: "Whatever the standards for determining exactly when a transaction involves only a 'single product', we cannot see how an arrangement such as that present in this case could ever be said to involve only a single product." 394 U.S. at 507.

that this is an appropriate case to discern but a single product. Rohm and Haas' patent covers the only known use of propanil and involves merely the application of that product to certain crops. Propanil, on the other hand, has no use whatsoever apart from its use in the process. Product and process in this case are but two faces of the same coin, both logically and in the marketplace. Because they are thus inextricably interrelated, it would strain the application of the tying concept to define them as separate for purposes of antitrust analysis. This is consistent with the test enunciated in *Washington Gas Light Co.* v. *Virginia Electric & Power Co.*, 438 F.2d 248, 253 (4th Cir. 1951): "That there are not dual markets strongly suggests that there are not separate products." Plainly, there is no market for propanil apart from its use in the patented process, and conversely there is no market for the patented process without propanil.

Indeed, a leading commentator has urged in this respect that "one must take into account the patent laws, which grant some minimum of substantial rights that bear on the question of product definition."* This approach is also consistent with the intent and effect of Section 271, which was to give every patentee within the scope of Section 271(c) the right to protect his grant beyond the narrow confines of the patent claims. Indeed, it is fundamental that the essence of contributory infringement is an acknowledgement of the scope of the patent grant beyond the confines of the claims. The effect is no different than if each patent susceptible of being contributorily infringed were to con-

* Turner, "The Validity of Tying Arrangement Under the Antitrust Laws, 72 Harv. L. Rev. 50, p. 68 (1958).



tain a separate claim having a scope defined by Section 271(c), assertible against sellers of articles or components, the sale of which would constitute contributory infringement. For that reason, the endless references in the Government's brief to "unpatented" subject matter is a misnomer, indeed a misuse, of the term; it is a red herring harking back to an era brought to a close by the 1952 Patent Act.*

It is also significant that any "tie-in" in the context of Section 271 could not merely be enjoined; an affirmative decree would be necessary not only to compel licensing but to establish the terms of each license. As one commentator has pointed out:

> "In the ordinary tie-in case, where the foreclosed competitors are producing the tied product, the restraint is removed simply by prohibiting the tie-in. No compulsory-dealing provision is required, since it may be presumed that the patentee will not sulk, but will sell his tying product without the tie-in, leaving competitors free to compete in the sale of the formerly tied product. But in our example the restraint can be removed only by a decree compelling the patentee to sell the component to the 'foreclosed' competitors. There are at least two good reasons for stopping short of giving them *this* protection. One is administrative. Such a decree requires virtually a public-utility type

* It is not misuse for a patentee to sell a machine constituting a complete combination as claimed in his patent, which of course carries an implied right to use the machine, even though no use licenses are granted except to purchasers of the combination from the patentee. That is not a "tie-in" of the patentee's machine sales to the right to use the machine because the rights both to sell and use the machine are within the scope of the patent grant. Equally, Rohm and Haas' sales of propanil are not "tied" to the use of propanil in its patented process because both are fully within the scope of the patent grant as set forth in Section 271.

of regulation: There must be some limit on the price at which the component is sold to competitors, for-otherwise the patentee could achieve the same exclusionary effect by pricing the item so high that they could not compete in the sale of the finished product. The almost insoluble problem of determining a 'fair' price need hardly be spelled out. But more important, such a decree goes far beyond the protection of competition on the merits—it compels the inventive manufacturer to raise the 'merits' of his competitors' products by distributing the fruits of his own progressiveness to them. This is questionable policy even if a patent were not involved.''*

**B. Requiring compulsory licensing of Rohm and Haas' patent would cut against the public interest.**

Congress has time and again been presented with and rejected the concept of plenary compulsory licensing. First proposed as early as 1790, it was again introduced in 1877, in 1952 and, more recently, in several proposals during the 1970's.** Apart from specific exceptions to Congressional policy expressly carved out in the fields of atomic energy, air pollution control, plant variety protection and the

* Turner, *supra*, 72 Harv. L. Rev. at pp. 69-70 (emphasis in original) (footnotes omitted). The example referred to involved a manufacturer of radio receiving sets who had a patent on a transformer which he sold only as part of the complete receiver, thereby driving competing radio producers from a substantial part of the radio market. The result is the same whether a decree forces a manufacturer to sell a product to competitors, as in the example, or to license competitors to make the produce, as in the case at bar.

** See, e.g., Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary: Compulsory Licensing of Patents Under Some Non-American Systems, Study No. 19, 85th Cong., 2d Sess. 1, 2 (1959); S.1283, 93d Cong., 1st Sess. (1973); S.2176, 93d Cong., 1st Sess. (1973); S.814, 94th Cong., 1st Sess. (1975); H.R. 44 and H.R. 46, 95th Cong., 1st Sess. (1977); and S.2040, 95th Cong., 1st Sess. (1977).



Government's own entitlement to what is in effect a compulsory license under its eminent domain powers,* attempts to legislate compulsory licensing generally have met with failure for over two centuries. If imposed by this Court it would create both a disincentive to innovation and a significant volume of litigation to determine in each case, for each license applicant, what a reasonable royalty would be.**

It would be inappropriate to create here a disincentive to industrial innovation at the very time when the President has recommended a strong program of initiatives to promote innovation.† Taking into specific account the current severe inflation and its effect in discouraging managers in the private sector from spending the sums needed for adequate industrial innovation, the President mandated changes in the patent system to achieve that goal, including a uniform patent policy to grant either title or exclusive licenses to private contractors in inventions developed under government contracts.

This constitutes recognition at the highest levels of government of an important public policy emphasizing the

* See, The Atomic Energy Act of 1954 (42 U.S.C. 2011 *et seq.* (1959)), Clean Air Act of 1970 (42 U.S.C. 7401-7642 (1970, as amended 1974)), Plant Variety Protection Act (7 U.S.C. 2321-2583 (1970)) and 28 U.S.C. 1498.

** We note in passing that the compulsory licensing sought by Dawson as a *contributory* infringer results from the impracticability of granting licenses to farmers, whose use of Dawson's propanil constitutes direct infringement of Rohm and Haas' patent. This case does *not* present a situation where it is practical to license *direct* infringers. Licensing direct infringers would allow them to purchase propanil from any source; in that situation, which is not before the Court, there would be no basis for requiring licensing of *contributory* infringers.

† Remarks of the President on Innovation Initiatives, October 31, 1979.

exclusivity of rights granted innovators by the patent system. That public policy is worthy of recognition by this Court. Antitrust policy should be construed to complement rather than to undermine it. To render those rights non-exclusive in a significant class of developments, as sought here by Dawson and the Government, would necessarily undermine that policy. It would also reduce competition by encouraging a class of non-innovators who would await the development by others of new uses for existing materials and would then demand entree to the market created thereby. This rewards the non-contributor at the expense of the contributor and ultimately discourages development of new products and processes, resulting in reduced competition, fewer products and fewer jobs.

To the extent that companies like Dawson and Crystal may develop more efficient methods to produce propanil, they may elect to license those methods to Rohm and Haas, thereby benefiting both petitioners and the public. Moreover, the disclosure through the patent system of Rohm and Haas' use for propanil ought to stimulate others towards finding additional uses for propanil, for their own economic reward and to the public's benefit.

If Rohm and Haas chose to confine its use of propanil to itself rather than face compulsory licensing, that would certainly not benefit the public. Nor would the administration of justice generally be benefited by subjecting the courts to a new category of litigation to adjudicate what is a reasonable royalty in each instance.



## Conclusion

**For the foregoing reasons, the decision of the Court of Appeals should be affirmed.**

Respectfully submitted,

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# APPENDIX

# PROPOSED REVISION AND AMENDMENT OF THE PATENT LAWS

PRELIMINARY DRAFT

WITH NOTES

COMMITTEE PRINT

Printed for the use of the Committee on the Judiciary
House of Representatives

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1950

**§ 66. Licenses, conditions in contracts**

(a) A patentee may grant licenses permitting making, using or selling the patented invention, in so far as his exclusive right is concerned, to the extent and subject to such conditions relating to such making, using or selling of the patented invention or to the patent as he may choose, subject to the provisions of this title.

(b) Any condition of any contract for license to make, use or sell a patented invention, or for the sale or lease of a patented article, or relating to any such license, sale or lease, shall be void to the extent that it (1) requires the licensee, purchaser, or lessee to acquire from the licensor, vendor or lessor or his nominees any articles other than the patented article, or (2) prohibits the licensee, purchaser or lessee from using any article not supplied by, or any process not belonging to, the licensor, vendor or lessor, or restricts the right of the licensee, purchaser or lessee to use any such article or process or (3) requires the licensee, purchaser or lessee to assign or otherwise give control of any invention made by or owned by him to the licensor, vendor or lessor.

(c) In any action for infringement of a patent it shall be a defense to prove that at the time of the infringement there was in force a contract, containing a condition declared void by this section, made by or with the consent of the plaintiff.

(d) A condition of a contract shall not be void by reason of paragraph (b) (1) and (2) if at the time of making the contract the licensor, vendor or lessor was willing to grant the license or sell or lease the article on reasonable terms without any such condition and the licensee, purchaser or lessee is entitled under the contract upon reasonable notice to relieve himself of his liability to observe the condition and substitute therefor a reasonable specified alternative condition.

(e) This section shall not render void any contract or condition with respect to sales agency or exclusive sales agency, or for the supply of parts, which would be valid without this section.

**Note**

This section brings up the subject of valid and invalid conditions in license agreements. The first paragraph is declaratory of a broad right to grant licenses. The second paragraph (except clause 3 which is new) is an expansion of section 3 of the Clayton Act (15 U. S. C. 14) to apply the licenses as well as to sales or leases and follows decisions of the courts in holding such conditions invalid. The third paragraph states the penalty which has been applied by the courts. The fourth and fifth paragraphs qualify part of the second paragraph.

## § 72. Infringement of patent

Any person who makes, uses or sells any patented machine, manufacture, composition of matter or improvement, or uses any patented process or improvement, within the territory of the United States and its Territories during the term of the patent therefor without authority, and any person who intentionally aids and abets any such unauthorized making, using or selling, infringes the patent and shall be liable to a civil action for infringement, except as otherwise provided in this title.

### Note

The first part of this section is declaratory only, defining infringement. The second part defines contributory infringement in broad terms, recent legislative proposals on contributory infringement are: 80th Congress, H. R. 5988, hearings May 1948; 81st Congress, S. 2518, H. R. 3866, hearings May, June 1949, H. R. 6436.

## *2. Compulsory Licenses*

**1. Grounds for compulsory license**

Any person may apply to the Commissioner of Patents for the grant of a license under a particular patent at any time after the expiration of three years from the grant of the patent, under any of the following circumstances:

(a) If the patented invention is not being worked in the United States on a commercial scale without reasonable justification.

(b) If the demand for the patented invention in the United States is not being met to an adequate extent without reasonable justification or is being met to a substantial extent by importation.

(c) If by reason of conditions attached by the patentee to licenses under the patent, or to the purchase, lease or use of the patented article or process, the manufacture, use or sale of materials not protected by the patent is unreasonably restrained or if the patent has been used to unreasonably restrain trade beyond the actual rights conferred by the patent.

(d) If the decree of a court in an action by the United States under the anti-trust laws has declared that the patent shall be available for licensing to any applicant on reasonable terms.

(e) If the use of the patented invention is necessary for public health or public safety.

(f) That the applicant for license is the patentee of an invention of an improvement on the patented invention which cannot be worked without utilizing the patented invention, provided that the improvement is a substantial and important contribution to the art and the applicant for license is willing and able to grant to the patentee and his licensees a license to use his improvement on reasonable terms.

In determining the existence of reasonable justification under paragraphs (a) and (b) there shall be considered, among other factors, the efforts of, and measures taken by, the patentee and whether sufficient time has elapsed since the date of the patent to work the invention or supply the market, considering the nature of the invention and the resources of the patentee.

**Notes**

This item brings up the controversial subject of compulsory licensing of patents. Paragraph (a) of section 1 recites the customary ground for grant of a compulsory license and both (a) and (b) would apply in the case of foreign owned United States patents when the invention was not being manufactured in the United States. Paragraph (c) is a possible remedy in the case of abuse of patents. Paragraph (d) relates to the existing power exercised by the courts in civil anti-trust actions. Paragraph (e) follows a recommendation of the National Patent Planning Commission (1943). Paragraph (f) is commonly found in laws of other countries. There have been numerous legislative proposals for compulsory licenses in this country.